



Brazilian National Confederation of Industry

THE FUTURE OF INDUSTRY

Brazilian Economic Outlook

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June 30 | 2023

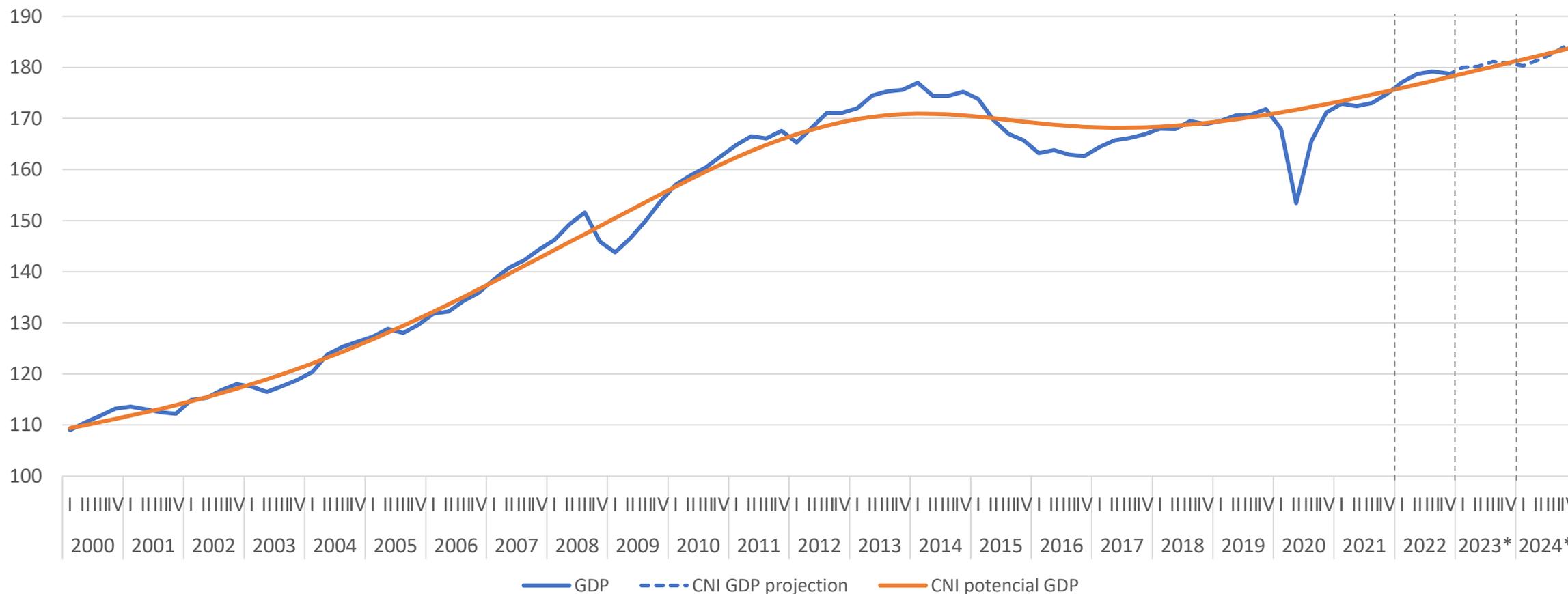
**Brazil: low growth in
recent decades**

The problem of low growth

Potential for economic growth remains low

BRAZILIAN GDP, CNI PROJECTION, AND POTENTIAL GDP

Quarterly volume index with seasonal adjustment (1995 = 100)



Source: IBGE. Elaboration: CNI.

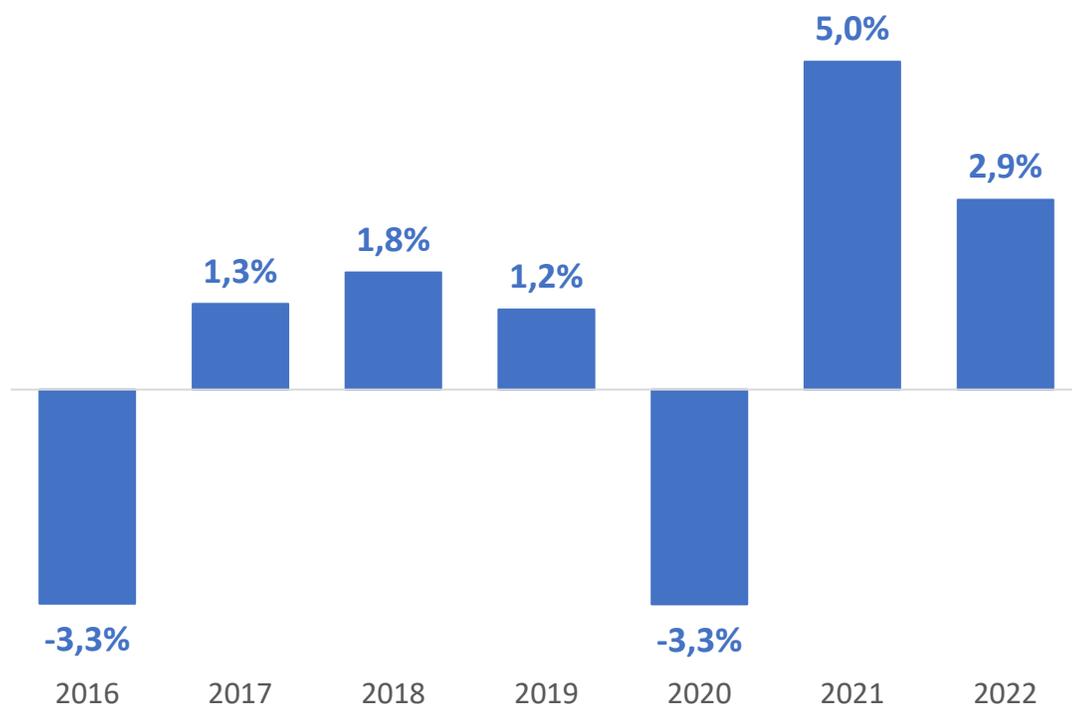
*CNI Projection

The problem of low growth

Growth in 2021 and 2022 only represented a return to the previous growth trend

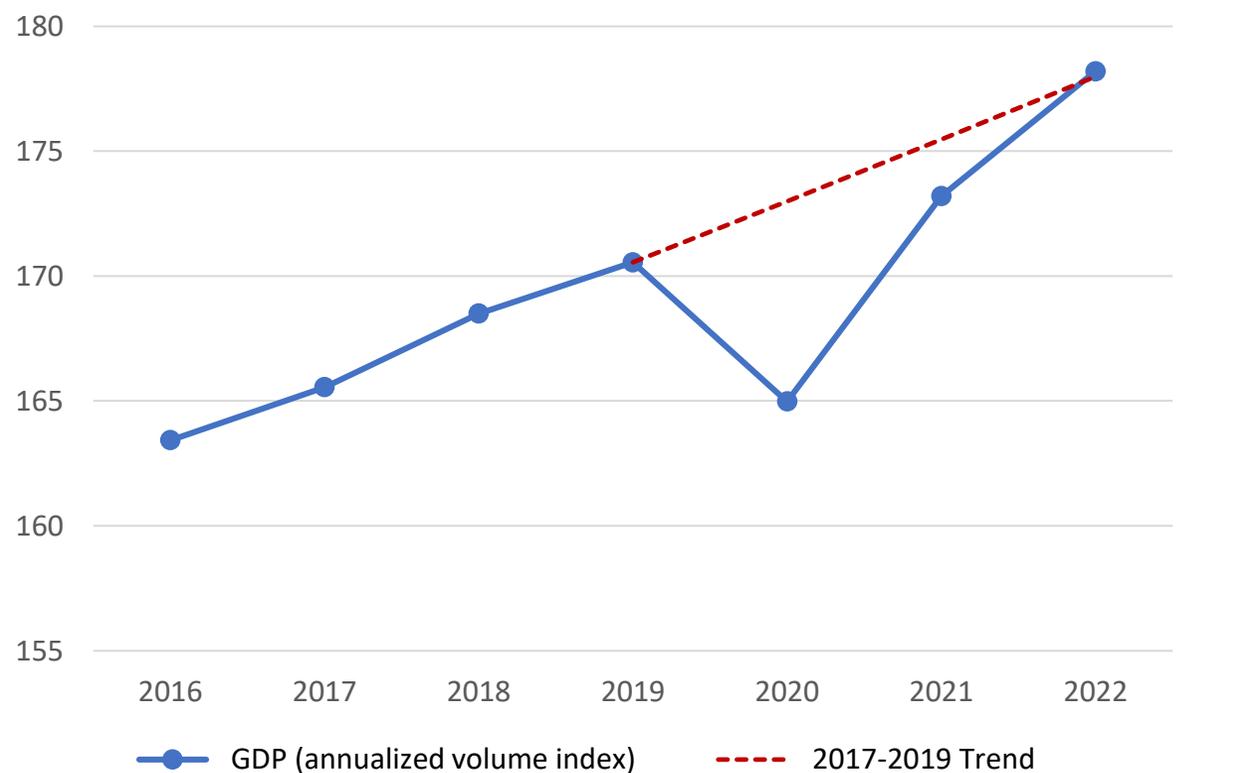
BRAZILIAN GDP GROWTH

Growth rate, %



BRAZILIAN GDP AND RECENT TREND

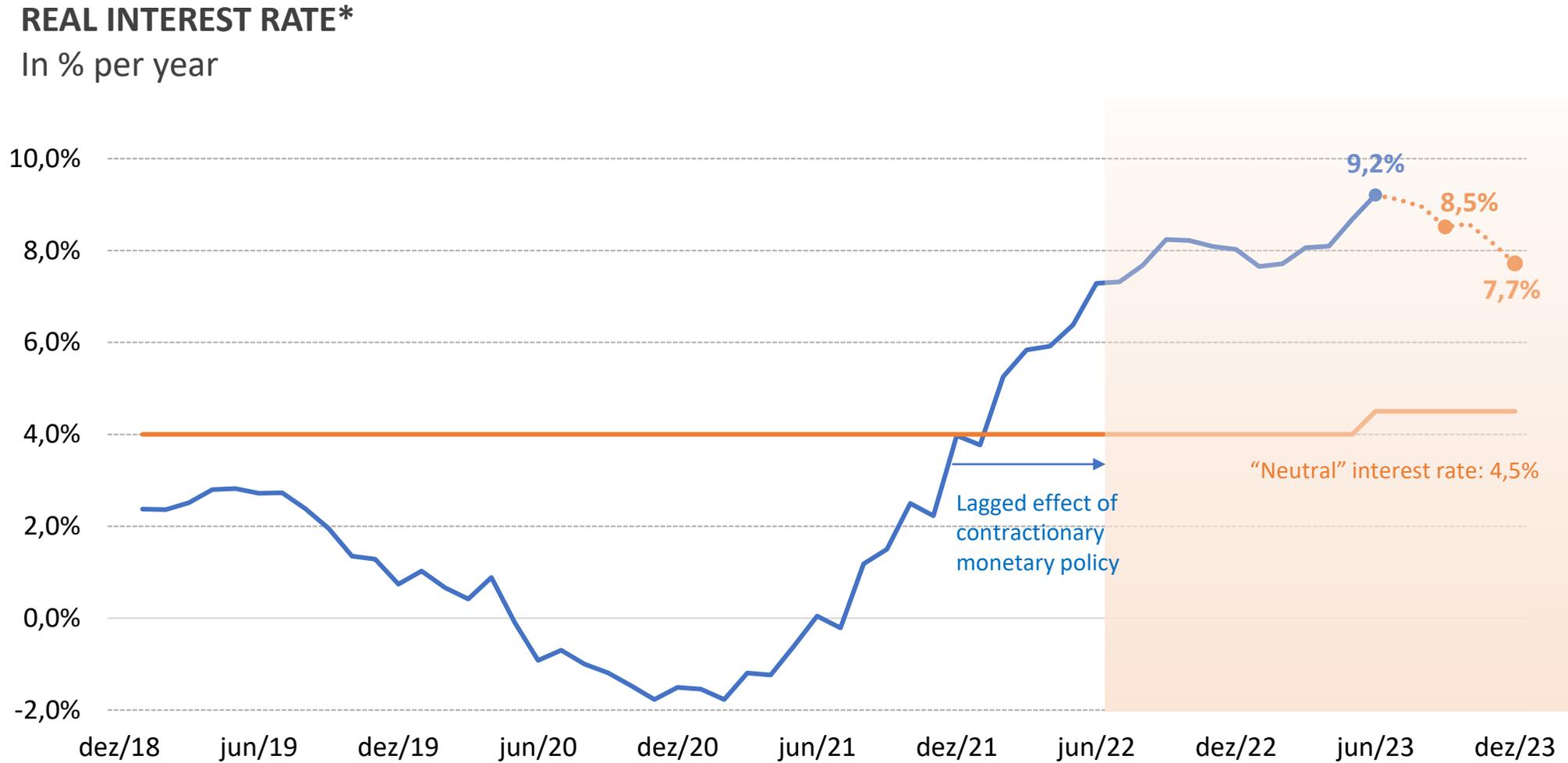
Quarterly volume index with seasonal adjustment (1995 = 100)



**Where are we and
what to expect in
2023?**

2023: Contractionary monetary policy with effects felt throughout the year

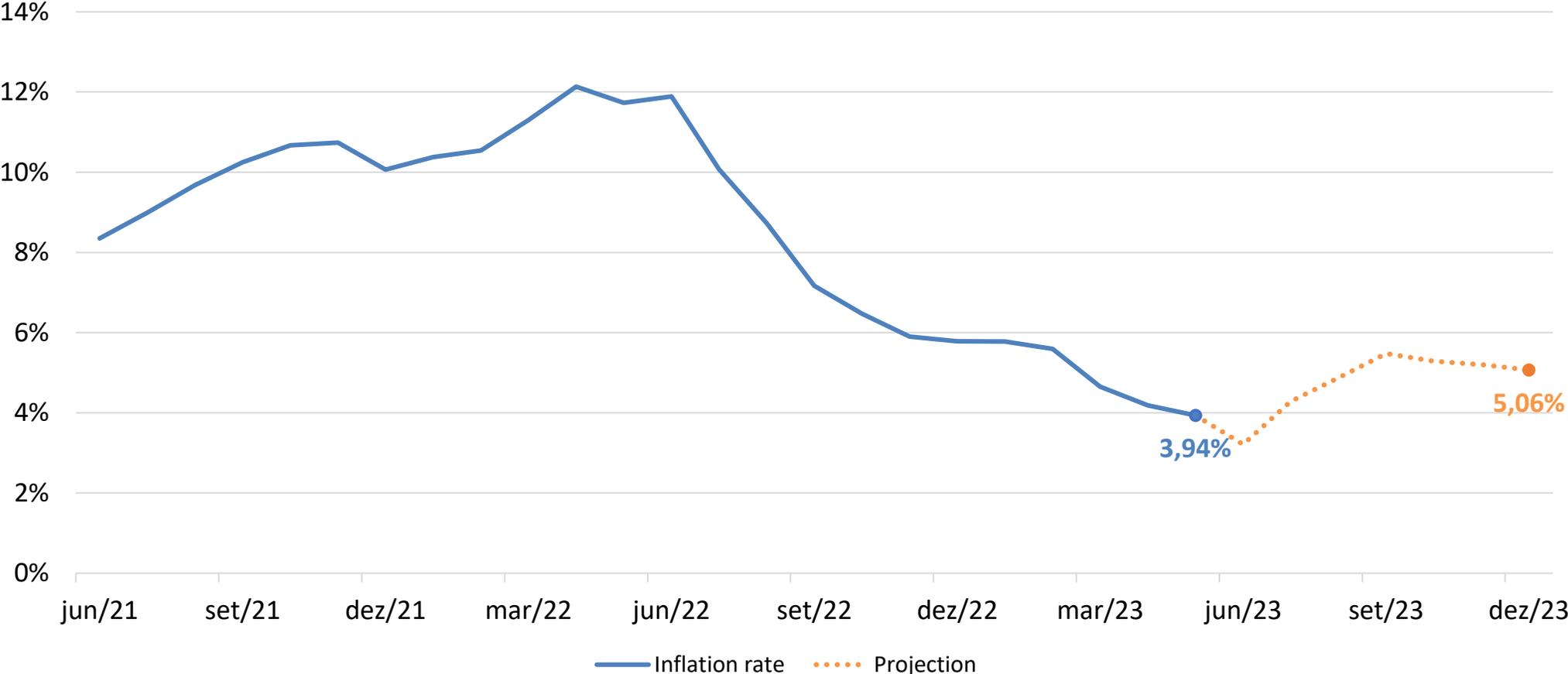
High interest rates are expected to be the main constraint on GDP growth in 2023



2023: Despite the slowdown, inflation remains high and above target

Inflation is expected to end 2022 at 5.9%

INFLATION RATE MEASURED BY IPCA
12-month accumulated, %



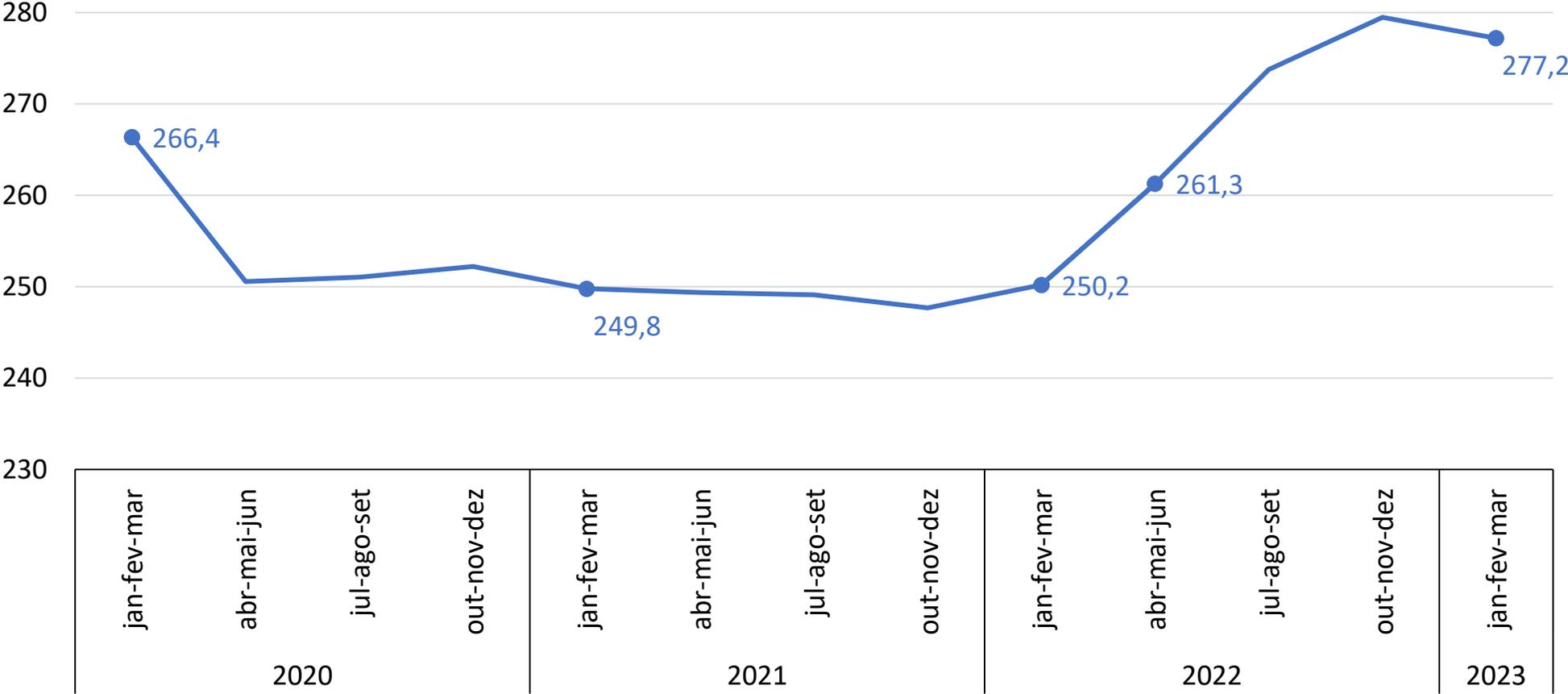
Source: IBGE.
Elaboration and Projection: CNI.

2023: Labor market still resilient to the effects of monetary policy

Total labor income has been recovering since the beginning of 2022

TOTAL LABOR INCOME

In billions of Brazilian reais (R\$)



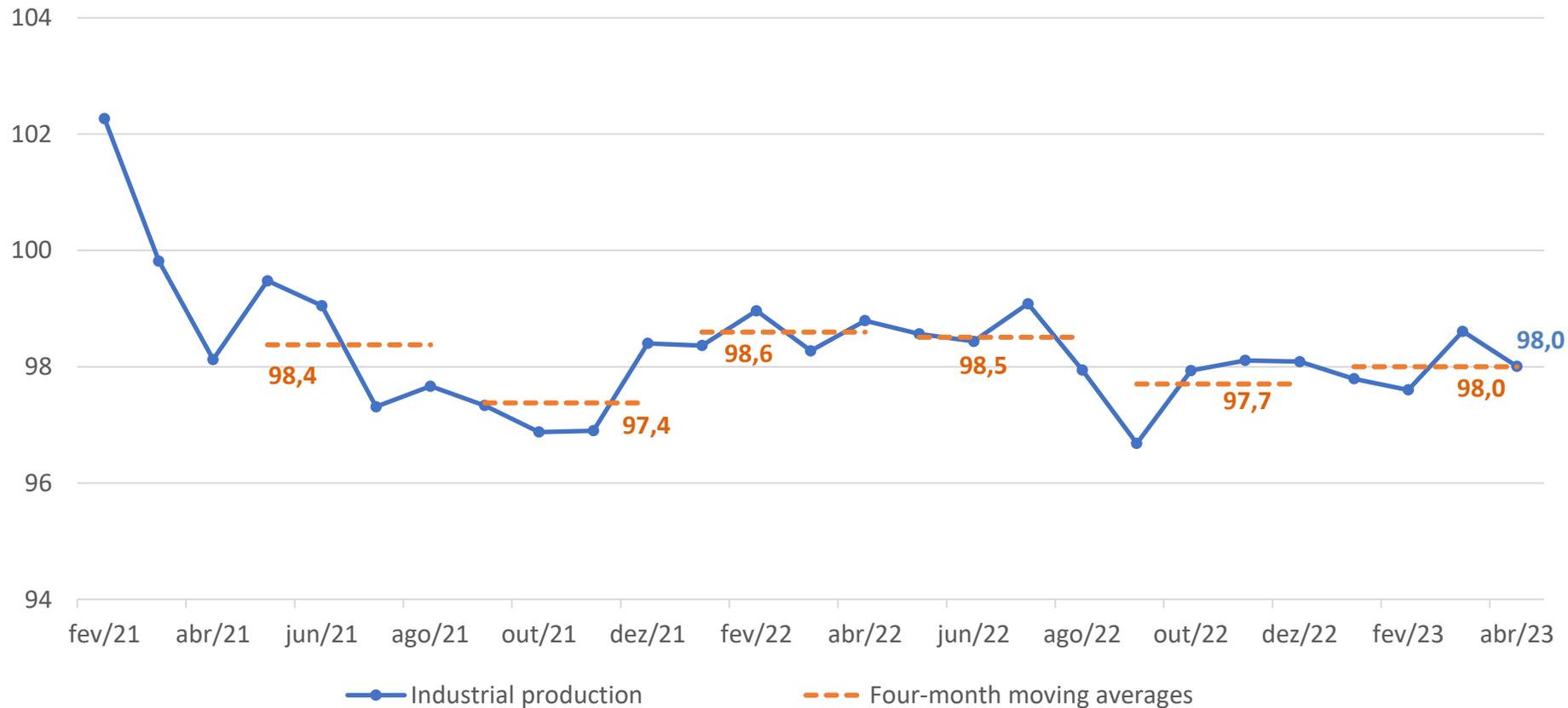
Source: IBGE.

2023: Deceleration ordered by monetary policy

Industrial production is expected to remain without significant advances

INDUSTRIAL PRODUCTION

Index number (2022 = 100) and four-month moving averages



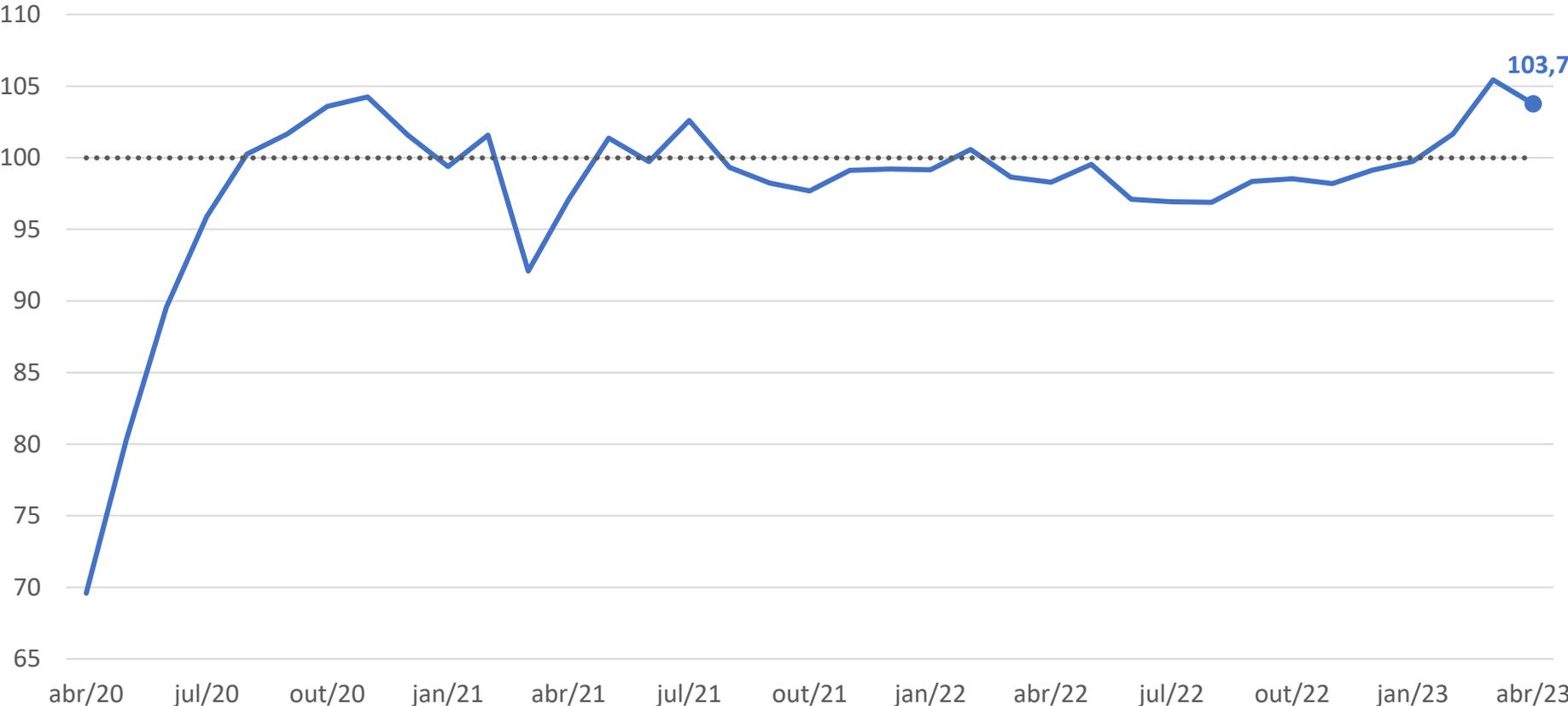
Source: IBGE.
Elaboration: CNI

2023: Deceleration ordered by monetary policy

Sales in the retail trade are benefiting from the recovery of average labor income

RETAIL TRADE SALES

Index number with seasonal adjustment (fev 2020 = 100)



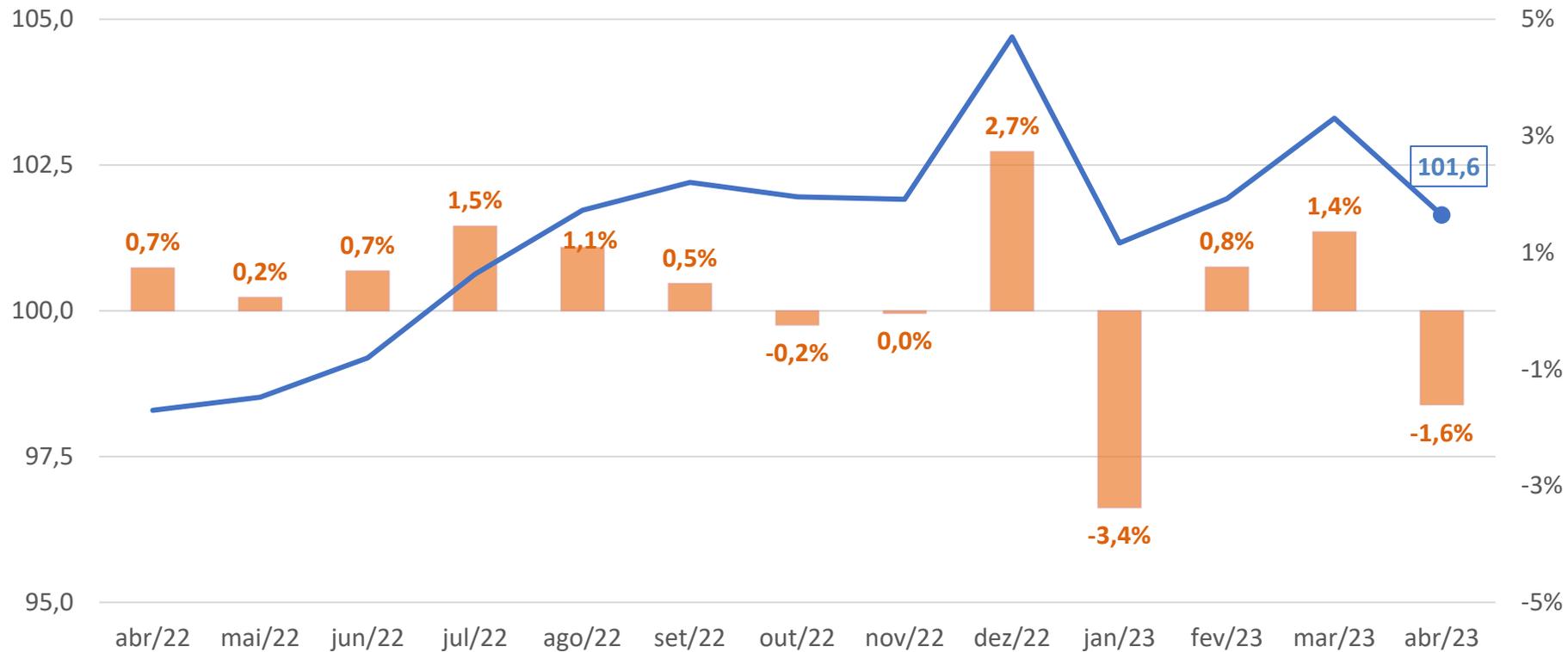
Source: IBGE.
Elaboration: CNI

2023: Deceleration ordered by monetary policy

Demand for services loses steam

VOLUME OF SERVICES

Index number with seasonal adjustment (2022 = 100) and month over month change



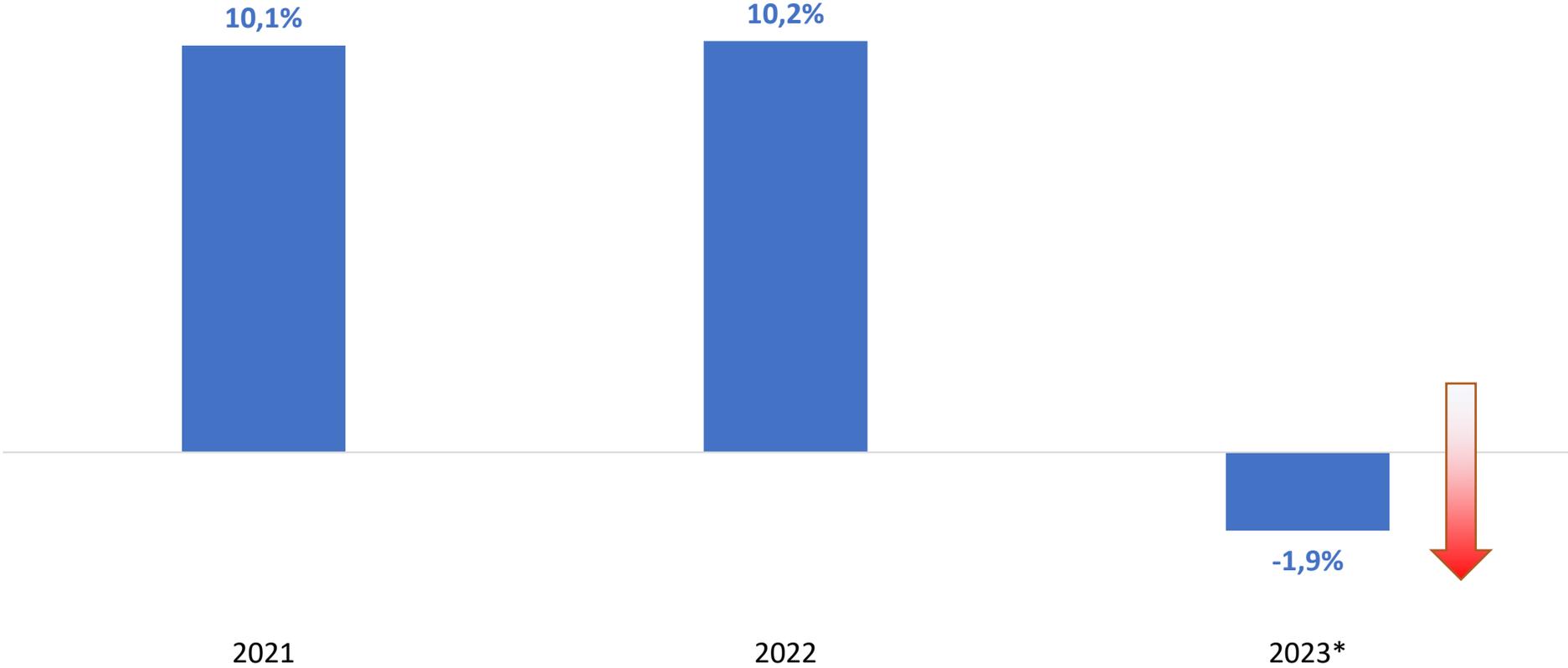
Source: IBGE.
Elaboration: CNI

2023: Credit concessions are expected to decline by the end of the year

High interest rates, high delinquency, and high indebtedness affect credit concessions

REAL VARIATION OF CREDIT CONCESSIONS

Year-to-date growth, %



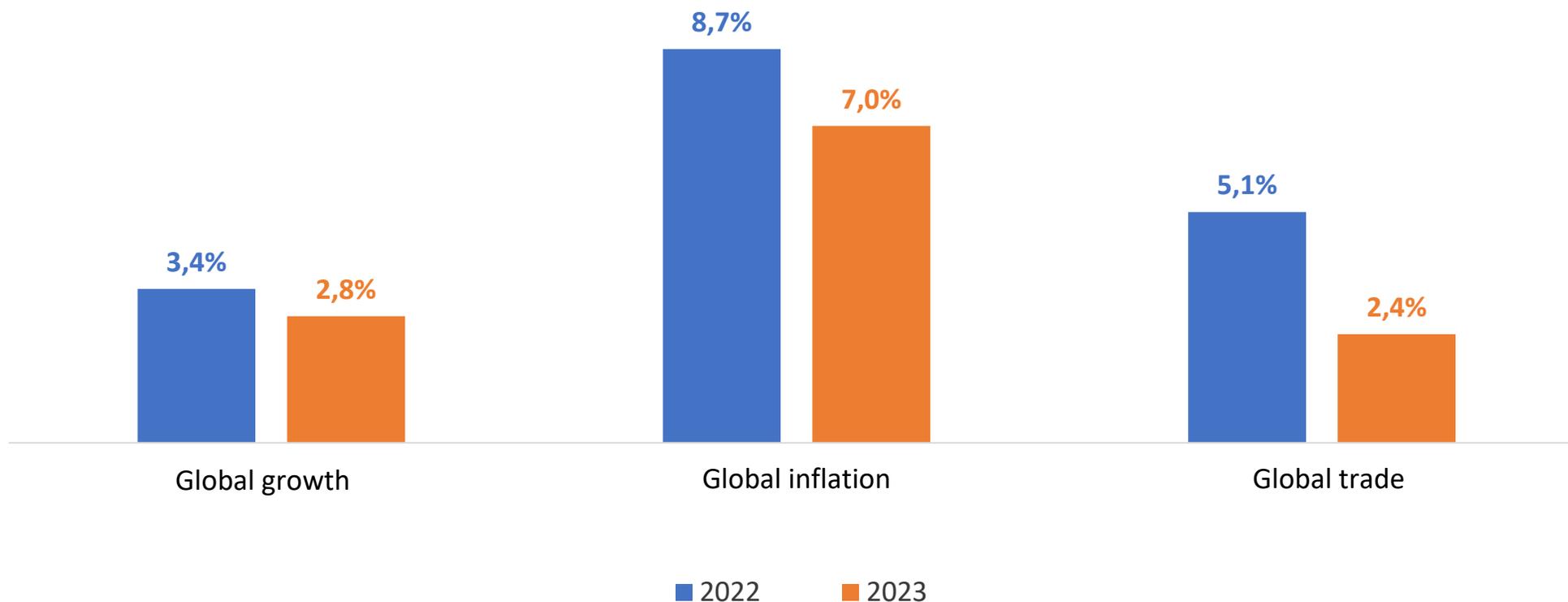
Source: Central Bank of Brazil.
*CNI Projection

2023: External scenario does not favor growth through exports

Slower global economic and trade growth and inflation deceleration

EXPECTATIONS FOR GDP, INFLATION, AND GLOBAL TRADE

Annual percentage variation, %

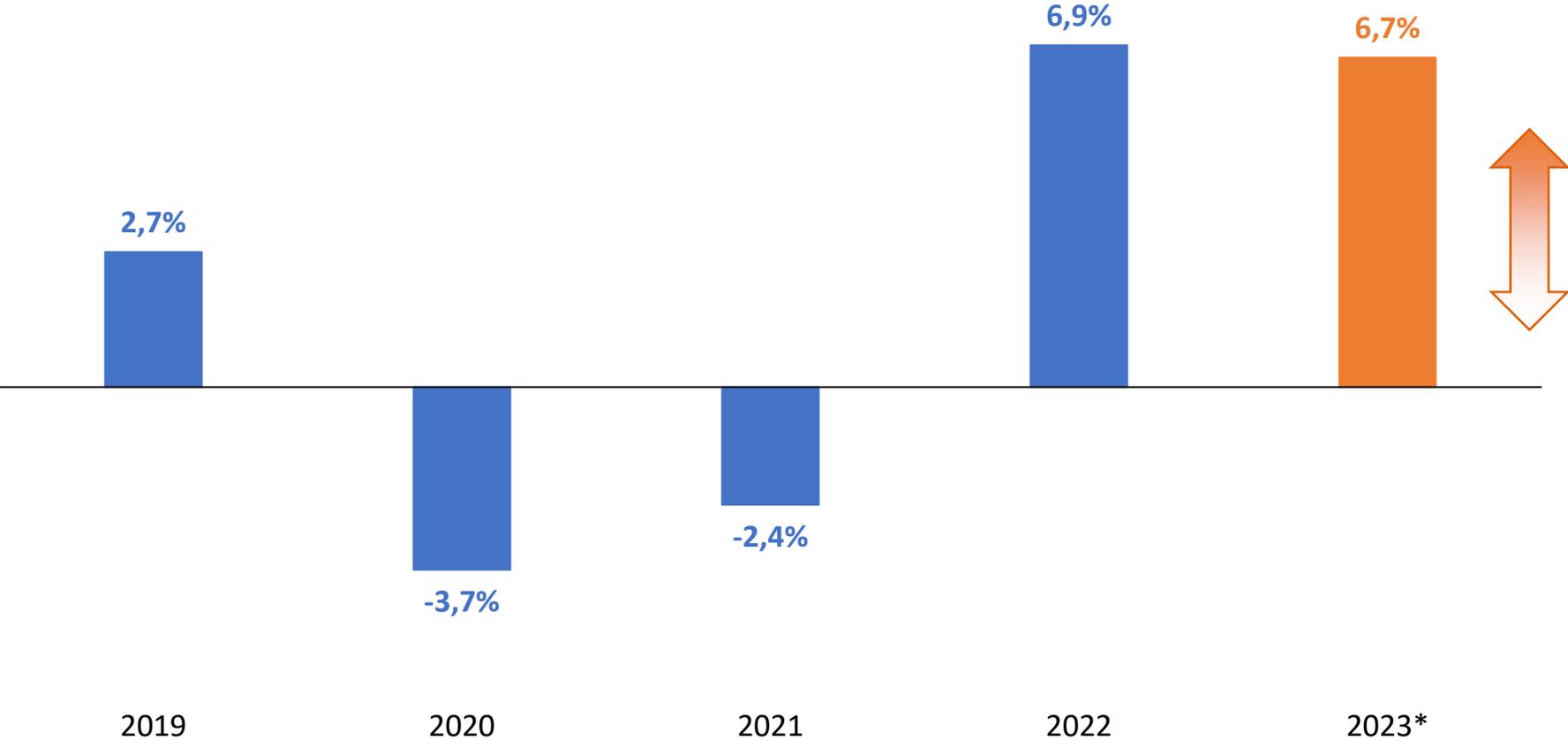


Source: IMF

2023: Despite slower growth, the labor market sustains growth

Total labor income will advance, sustaining household consumption

TOTAL LABOR INCOME GROWTH RATE
In percentage



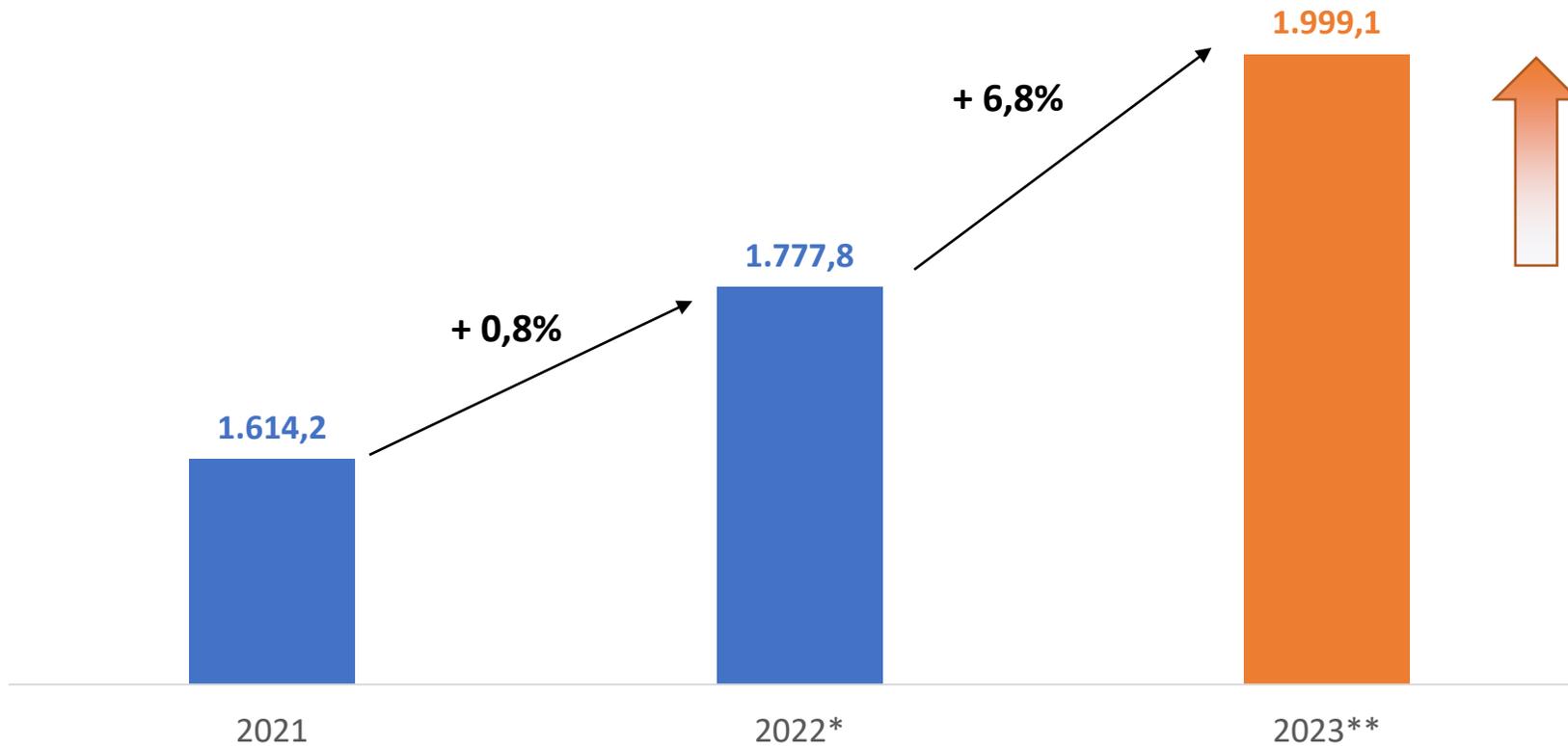
Source: IBGE.
*CNI Projection

2023: Fiscal expansion counteracts (and pressures) monetary policy

Increased public spending in 2023 helps sustain demand

PRIMARY EXPENDITURE OF THE FEDERAL GOVERNMENT

In billions (R\$) and real variation (%)



Source: Brazilian National Treasury.

*Does not consider expenses with Campo de Marte

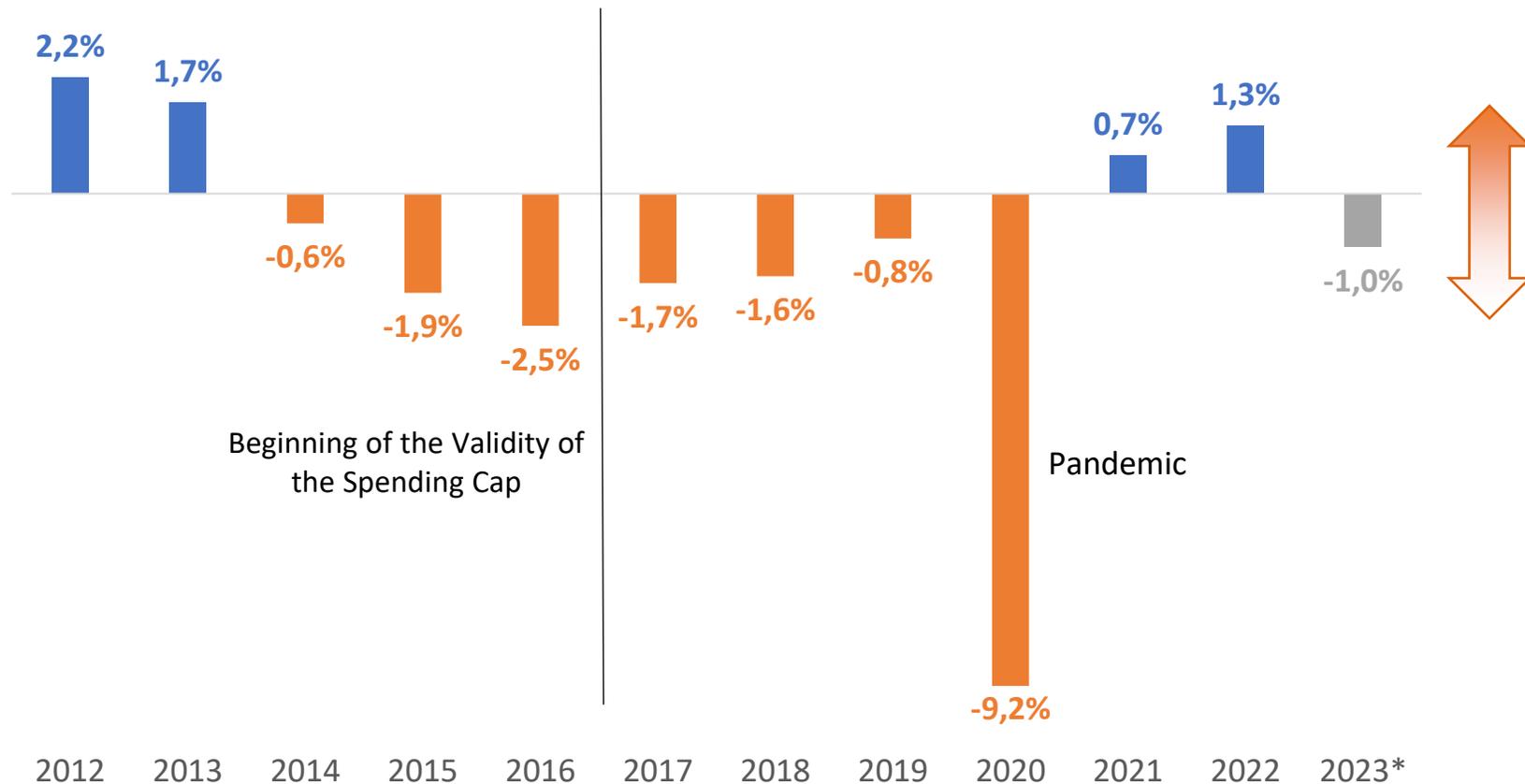
**CNI Projection

2023: Public sector expected to return to primary deficit

Worsening fiscal situation at both federal and regional governments

CONSOLIDATED PRIMARY RESULT OF THE PUBLIC SECTOR

As % of GDP



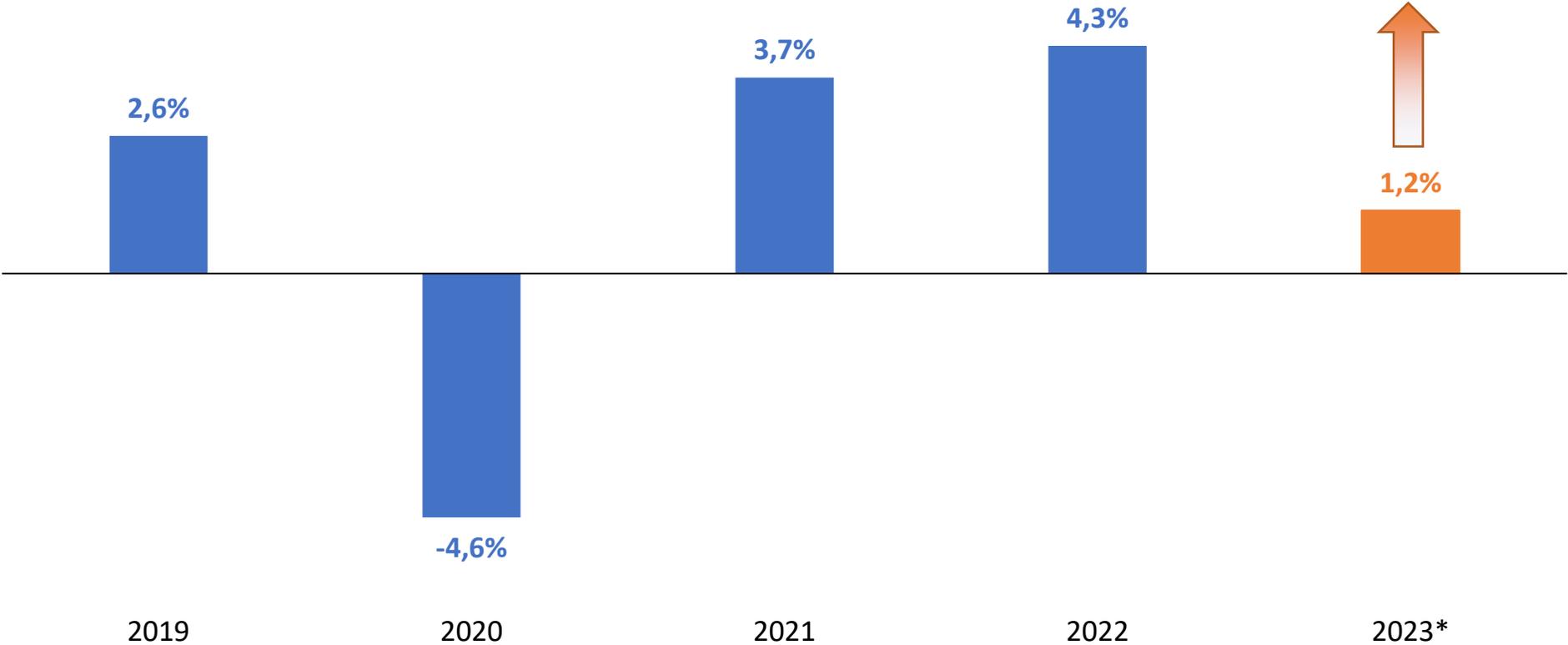
Source: Central Bank of Brazil.
Elaboration: CNI
*CNI Projection

2023: Consumption will be sustained by the labor market and fiscal policy

Consumer market will still benefit from increased labor income and public spending

HOUSEHOLD CONSUMPTION GROWTH RATE

Annual growth rate (%)



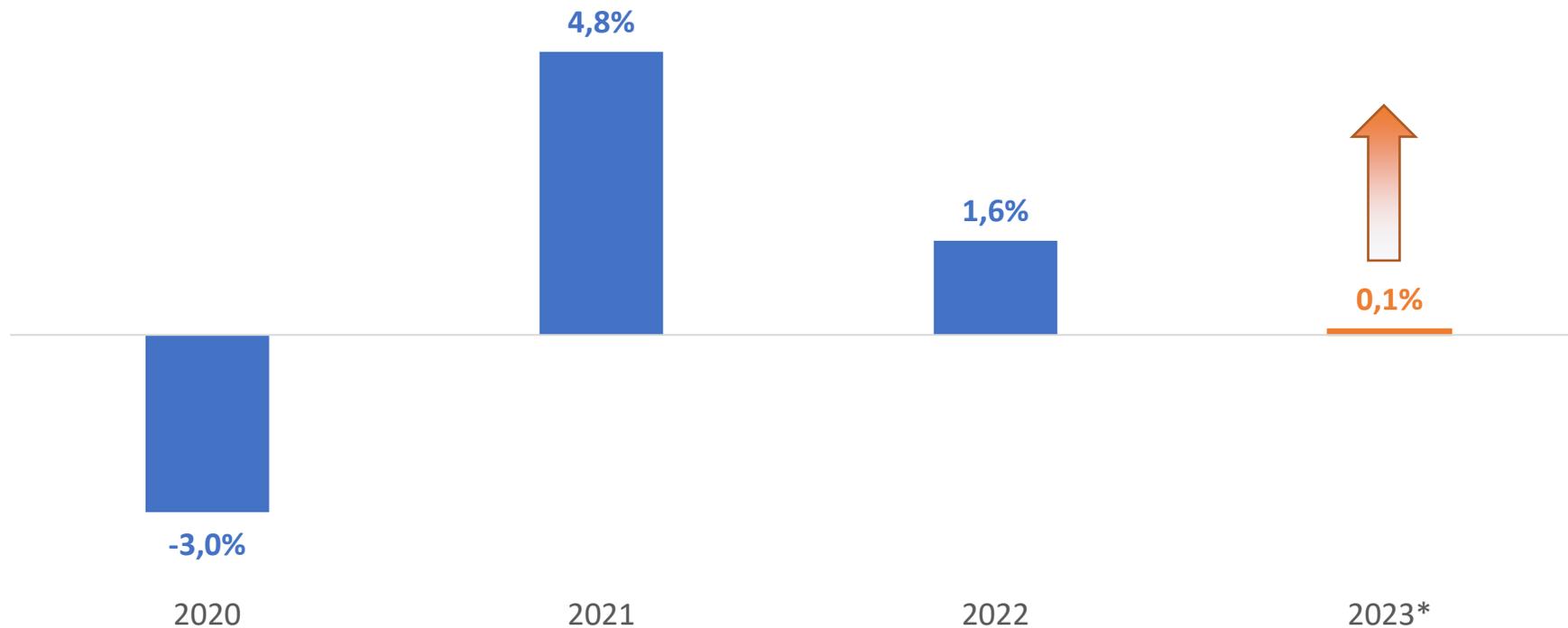
Source: IBGE.
*CNI Projection

2023: Deceleration ordered by monetary policy

Expectation of industrial growth very much affected by interest rates

INDUSTRIAL GDP AND CNI EXPECTATION

Annual growth rate (%)



Source: IBGE.
*CNI Projection



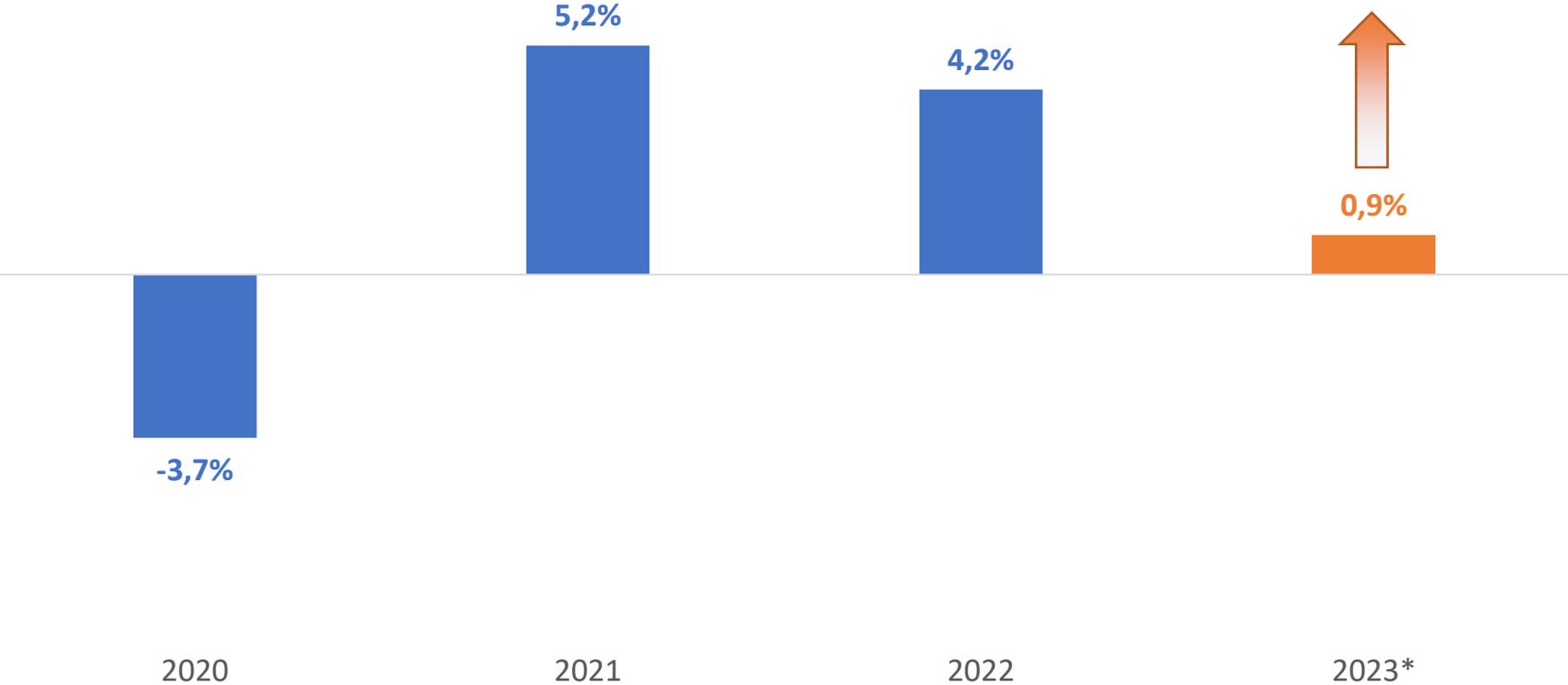
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2023: Deceleration ordered by monetary policy

Expectation of services sector slowdown in 2023

SERVICES GDP AND CNI EXPECTATION

Annual growth rate (%)



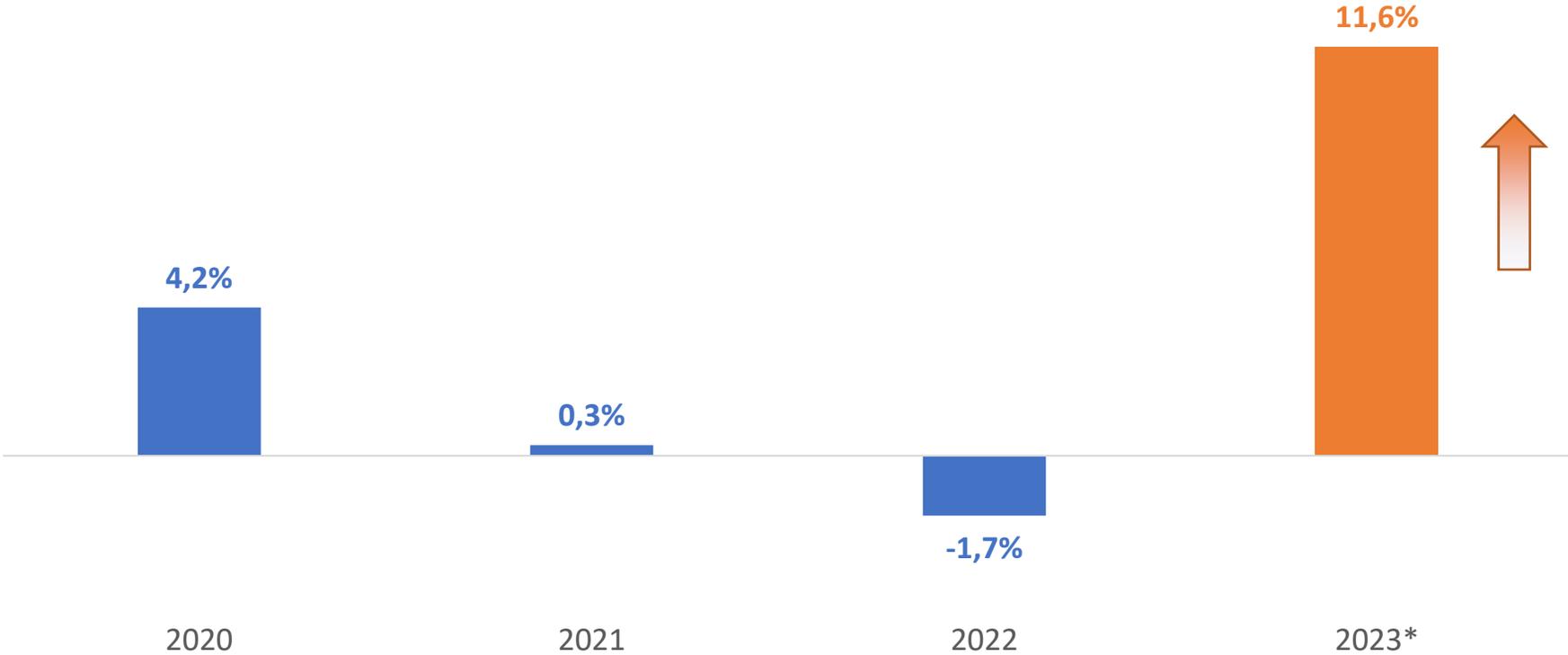
Source: IBGE.
*CNI Projection

2023: Deceleration ordered by monetary policy

Expectation of strong agricultural GDP growth in 2023

AGRICULTURAL GDP AND CNI EXPECTATION

Annual growth rate (%)



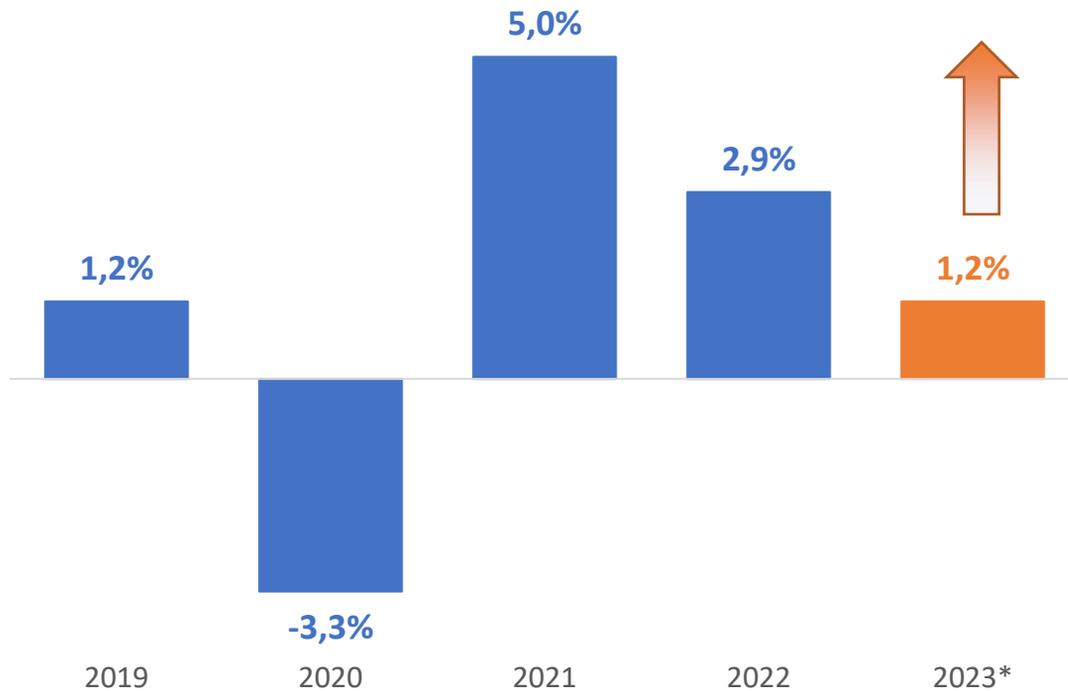
Source: IBGE.
*CNI Projection

2023: Deceleration ordered by monetary policy

Reduction in economic growth in 2023

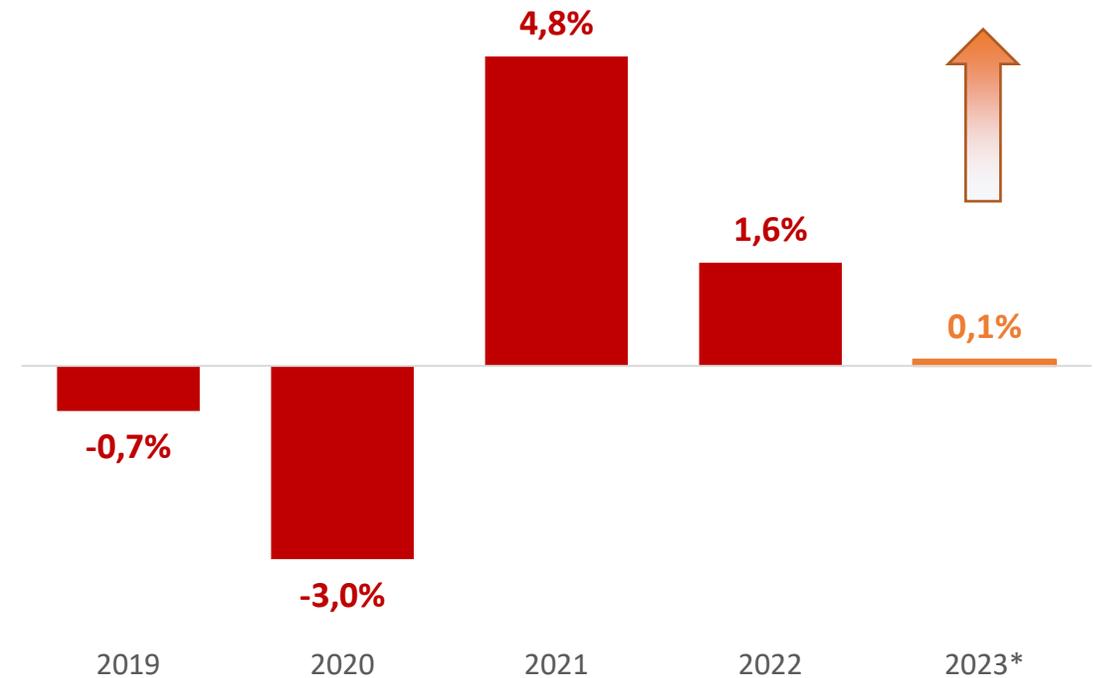
TOTAL GDP AND CNI EXPECTATION

Annual growth rate (%)



INDUSTRIAL GDP AND CNI EXPECTATION

Annual growth rate (%)



Source: IBGE.
*CNI Projection



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